



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 4/20/2005

GAIN Report Number: MX5036

Mexico

Agricultural Situation

Weekly Highlights and Hot Bites, Issue #14

2005

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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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KANSAS CITY SOUTHERN RAILROAD COMPLETES FINAL LINK TO FORM NAFTA RAIL

The NAFTA Rail is a rail system composed of three primary rail companies that are holdings of Kansas City Southern (KCS). KCS is a transportation holding company that includes The Kansas City Southern Railway Company, The Texas Mexican Railway Company and Transportes Ferroviarias Mexicanas (TFM). With the purchase of TFM on April 1, 2005, the union of the three railway companies forms a link to the commercial and industrial centers of the United States, Canada and Mexico. The goal of the NAFTA Rail is to handle a wide variety of NAFTA generated cargo ranging from agricultural commodities, intermodal containers, and motor vehicles between the United States and Mexico. Upon completion, it is estimated that the NAFTA Rail will bring in a combined US \$1.3 billion in revenue, operate over 6,000-track miles, and handle nearly 3 million carloads annually. The NAFTA Rail will provide service to 12 gulf ports, one Pacific Ocean Port, seven river ports, and more than 140 TransLoad centers and 16 intermodal ramps in the United States and Mexico. (Source: ATO Monterrey, April 12, 2005)

FOUR SUGAR MILLS READY TO BE AUCTIONED

The Federal Government has been officially allowed to remove from the public domain, and sell, the following sugar mills: La Joya in the state of Campeche, Santa Rosalia in the state of Tabasco, and San Pedro and San Francisco in the state of Veracruz. The announcement published in the Diario Oficial (Federal Register) on April 14, 2005, states that the Secretariat of Agriculture will determine the directives and strategies to auction the sugar mills. (Source: *Diario Oficial*, 04/14/05; *Reforma*, 04/15/05; *Financiero*, 04/15/05)

ATO MONTERREY OBTAINS RELEASE OF A TRUCK LOAD OF FROZEN SHEEP HEADS FROM TEXAS

On April 13, 2005, ATO Monterrey received notice that the SENASICA inspection office in Reynosa had rejected a truckload of frozen sheep heads on April 11. The freight forwarder unsuccessfully tried to obtain corrections on the USDA export certificate during the interim. The detention was due to a mismatch between the FSIS export library requirements for sheep heads and the corresponding SAGARPA restrictions (HRZ). ATO Monterrey negotiated the release of the truckload under the condition that USDA update the FSIS library thanks, in part, to their close working relationship with SAGARPA border inspectors. In total, 490 boxes

of frozen sheep heads from Texas with an export value of US\$ 17,230.00 were released.
(Source: ATO Monterrey)

MEXICO – A LEADING BEVERAGE CONSUMER

According to data from Drinktec 2005 and Globaldrinks.com, Mexico is seventh in global beverage consumption with 50 billion liters, behind the United States, China, India, Brazil, Japan, and Germany. Non-alcoholic beverages – bottled water, carbonated beverages, fruit and nectar juices and other drinks – exhibited a 26.2 percent growth rate from 1999-2004; meanwhile, alcoholic beverages saw an increase of 10.6 percent in the same period. According to the Secretariat of Economy, sodas and other non-alcoholic beverages represent one of the principal sectors of foreign investment with a total of US\$ 1.56 billion invested between 1999 and September 2004. The beer and malt industry represents US\$ 800 million in the same time period, followed by condensed, evaporated and powdered milk production with US\$ 796 million. Beverages play a prominent role in foreign trade, contributing 40 percent of Mexico's total food and beverage exports. (Source: *El Financiero*, 4/12/05)

SANITARY OBSTACLES TO MEXICAN PRODUCTS IN UNITED STATES

In spite of the successes in the agricultural sector achieved by Mexico within the North American Free Trade Agreement, there remain issues to resolve such as phytosanitary rules, bioterrorism and input costs. Therefore, the disputes between Mexican businessmen and their partners from the United States and Canada will continue. Luis Alberto Cruz, general director of the civil body "Dispute Resolution Corporation" – the local chapter of the Canadian organization Dispute Resolution Corporation – stated that the trade conflicts could become an obstruction for the development of this economic sector. (Source: *El Financiero*, 04/19/2005)

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MX5034	Weekly Highlights and Hot Bites, Issue #13	04/13/05
MX5035	Dried Fruit Annual Report	04/15/05

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